

SECOND DIVISION

[G.R. No. 173559, January 07, 2013]

**LETICIA DIONA, REPRESENTED BY HER ATTORNEY-IN-FACT,
MARCELINA DIONA, PETITIONER, VS. SONNY A. BALANGUE,
ROMEO A. BALANGUE, REYNALDO A. BALANGUE, AND ESTEBAN
A. BALANGUE, JR., RESPONDENTS.**

DECISION

DEL CASTILLO, J.:

The grant of a relief neither sought by the party in whose favor it was given nor supported by the evidence presented violates the opposing party's right to due process and may be declared void *ab initio* in a proper proceeding.

This Petition for Review on *Certiorari*^[1] assails the November 24, 2005 Resolution^[2] of the Court of Appeals (CA) issued in CA-G.R. SP No. 85541 which granted the Petition for Annulment of Judgment^[3] filed by the respondents seeking to nullify that portion of the October 17, 2000 Decision^[4] of the Regional Trial Court (RTC), Branch 75, Valenzuela City awarding petitioner 5% monthly interest rate for the principal amount of the loan respondents obtained from her.

This Petition likewise assails the CA's June 26, 2006 Resolution^[5] denying petitioner's Motion for Reconsideration.

Factual Antecedents

The facts of this case are simple and undisputed.

On March 2, 1991, respondents obtained a loan of P45,000.00 from petitioner payable in six months and secured by a Real Estate Mortgage^[6] over their 202-square meter property located in Marulas, Valenzuela and covered by Transfer Certificate of Title (TCT) No. V-12296.^[7] When the debt became due, respondents failed to pay notwithstanding demand. Thus, on September 17, 1999, petitioner filed with the RTC a Complaint^[8] praying that respondents be ordered:

- (a) To pay [petitioner] the principal obligation of P45,000.00, with interest thereon **at the rate of 12% per annum**, from 02 March 1991 until the full obligation is paid.
- (b) To pay [petitioner] actual damages as may be proven during the trial but shall in no case be less than P10,000.00; P25,000.00 by way of attorney's fee, plus P2,000.00 per hearing as appearance fee.
- (c) To issue a decree of foreclosure for the sale at public auction of the aforementioned parcel of land, and for the

disposition of the proceeds [thereof] in accordance with law, upon failure of the [respondents] to fully pay [petitioner] within the period set by law the sums set forth in this complaint.

(d) Costs of this suit.

Other reliefs and remedies just and equitable under the premises are likewise prayed for.^[9] (Emphasis supplied)

Respondents were served with summons thru respondent Sonny A. Balangue (Sonny). On October 15, 1999, with the assistance of Atty. Arthur C. Coroza (Atty. Coroza) of the Public Attorney's Office, they filed a Motion to Extend Period to Answer. Despite the requested extension, however, respondents failed to file any responsive pleadings. Thus, upon motion of the petitioner, the RTC declared them in default and allowed petitioner to present her evidence ex parte.^[10]

Ruling of the RTC sought to be annulled.

In a Decision^[11] dated October 17, 2000, the RTC granted petitioner's Complaint. The dispositive portion of said Decision reads:

WHEREFORE, judgment is hereby rendered in favor of the [petitioner], ordering the [respondents] to pay the [petitioner] as follows:

- a) the sum of FORTY FIVE THOUSAND (P45,000.00) PESOS, representing the unpaid principal loan obligation **plus interest at 5% per month** [sic] reckoned from March 2, 1991, until the same is fully paid;
- b) P20,000.00 as attorney's fees plus cost of suit;
- c) in the event the [respondents] fail to satisfy the aforesaid obligation, an order of foreclosure shall be issued accordingly for the sale at public auction of the subject property covered by Transfer Certificate of Title No. V-12296 and the improvements thereon for the satisfaction of the [petitioner's] claim.

SO ORDERED.^[12] (Emphasis supplied)

Subsequently, petitioner filed a Motion for Execution,^[13] alleging that respondents did not interpose a timely appeal despite receipt by their former counsel of the RTC's Decision on November 13, 2000. Before it could be resolved, however, respondents filed a Motion to Set Aside Judgment^[14] dated January 26, 2001, claiming that not all of them were duly served with summons. According to the other respondents, they had no knowledge of the case because their co-respondent Sonny did not inform them about it. They prayed that the RTC's October 17, 2000 Decision be set aside and a new trial be conducted.

But on March 16, 2001, the RTC ordered^[15] the issuance of a Writ of Execution to implement its October 17, 2000 Decision. However, since the writ could not be

satisfied, petitioner moved for the public auction of the mortgaged property,^[16] which the RTC granted. ^[17] In an auction sale conducted on November 7, 2001, petitioner was the only bidder in the amount of P420,000.00. Thus, a Certificate of Sale^[18] was issued in her favor and accordingly annotated at the back of TCT No. V-12296.

Respondents then filed a Motion to Correct/Amend Judgment and To Set Aside Execution Sale^[19] dated December 17, 2001, claiming that the parties did not agree in writing on any rate of interest and that petitioner merely sought for a 12% *per annum* interest in her Complaint. Surprisingly, the RTC awarded 5% monthly interest (or 60% *per annum*) from March 2, 1991 until full payment. Resultantly, their indebtedness inclusive of the exorbitant interest from March 2, 1991 to May 22, 2001 ballooned from P124,400.00 to P652,000.00.

In an Order^[20] dated May 7, 2002, the RTC granted respondents' motion and accordingly modified the interest rate awarded from 5% monthly to 12% *per annum*. Then on August 2, 2002, respondents filed a Motion for Leave To Deposit/Consign Judgment Obligation^[21] in the total amount of P126,650.00.^[22]

Displeased with the RTC's May 7, 2002 Order, petitioner elevated the matter to the CA *via* a Petition for *Certiorari*^[23] under Rule 65 of the Rules of Court. On August 5, 2003, the CA rendered a Decision^[24] declaring that the RTC exceeded its jurisdiction in awarding the 5% monthly interest but at the same time pronouncing that the RTC gravely abused its discretion in subsequently reducing the rate of interest to 12% *per annum*. In so ruling, the CA ratiocinated:

Indeed, We are convinced that the Trial Court exceeded its jurisdiction when it granted 5% monthly interest instead of the 12% per annum prayed for in the complaint. However, the proper remedy is not to amend the judgment but to declare that portion as a nullity. Void judgment for want of jurisdiction is no judgment at all. It cannot be the source of any right nor the creator of any obligation (**Leonor vs. CA, 256 SCRA 69**). No legal rights can emanate from a resolution that is null and void (**Fortich vs. Corona, 312 SCRA 751**).

*From the foregoing, the remedy of [the respondents] is to have the Court declare the portion of the judgment providing for a higher interest than that prayed for as null and void for want of or in excess of jurisdiction. A void judgment never acquire[s] finality and any action to declare its nullity does not prescribe (**Heirs of Mayor Nemencio Galvez vs. CA, 255 SCRA 672**).*

WHEREFORE, foregoing premises considered, the Petition having merit, is hereby **GIVEN DUE COURSE**. Resultantly, the challenged May 7, 2002 and September 5, 2000 orders of Public Respondent Court are hereby **ANNULLED** and **SET ASIDE** for having been issued with grave abuse of discretion amounting to lack or in excess of jurisdiction. No costs.

SO ORDERED.^[25] (Emphases in the original; italics supplied.)

Proceedings before the Court of Appeals

Taking their cue from the Decision of the CA in the special civil action for *certiorari*, respondents filed with the same court a Petition for Annulment of Judgment and Execution Sale with Damages.^[26] They contended that the portion of the RTC Decision granting petitioner 5% monthly interest rate is in gross violation of Section 3(d) of Rule 9 of the Rules of Court and of their right to due process. According to respondents, the loan did not carry any interest as it was the verbal agreement of the parties that in lieu thereof petitioner's family can continue occupying respondents' residential building located in Marulas, Valenzuela for free until said loan is fully paid.

Ruling of the Court of Appeals

Initially, the CA denied due course to the Petition.^[27] Upon respondents' motion, however, it reinstated and granted the Petition. In setting aside portions of the RTC's October 17, 2000 Decision, the CA ruled that aside from being unconscionably excessive, the monthly interest rate of 5% was not agreed upon by the parties and that petitioner's Complaint clearly sought only the legal rate of 12% *per annum*. Following the mandate of Section 3(d) of Rule 9 of the Rules of Court, the CA concluded that the awarded rate of interest is void for being in excess of the relief sought in the Complaint. It ruled thus:

WHEREFORE, [respondents'] motion for reconsideration is **GRANTED** and our resolution dated October 13, 2004 is, accordingly, **REVERSED** and **SET ASIDE**. In lieu thereof, another is entered ordering the **ANNULMENT OF**:

(a) public respondent's impugned October 17, 2000 judgment, insofar as it awarded 5% monthly interest in favor of [petitioner]; and

(b) all proceedings relative to the sale at public auction of the property titled in [respondents'] names under Transfer Certificate of Title No. V-12296 of the Valenzuela registry.

The judgment debt adjudicated in public respondent's impugned October [17, 2000] judgment is, likewise, ordered **RECOMPUTED** at the rate of 12% per annum from March 2, 1991. No costs.

SO ORDERED.^[28] (Emphases in the original.)

Petitioner sought reconsideration, which was denied by the CA in its June 26, 2006 Resolution.^[29]

Issues

Hence, this Petition anchored on the following grounds:

- I. THE HONORABLE COURT OF APPEALS COMMITTED GRAVE AND SERIOUS ERROR OF LAW WHEN IT GRANTED RESPONDENTS' PETITION FOR ANNULMENT OF JUDGMENT AS A SUBSTITUTE OR ALTERNATIVE REMEDY OF A LOST APPEAL.

- II. THE HONORABLE COURT OF APPEALS COMMITTED GRAVE AND SERIOUS ERROR AND MISAPPREHENSION OF LAW AND THE FACTS WHEN IT GRANTED RESPONDENTS' PETITION FOR ANNULMENT OF JUDGMENT OF THE DECISION OF THE REGIONAL TRIAL COURT OF VALENZUELA, BRANCH 75 DATED OCTOBER 17, 2000 IN CIVIL CASE NO. 241-V-99, DESPITE THE FACT THAT SAID DECISION HAS BECOME FINAL AND ALREADY EXECUTED CONTRARY TO THE DOCTRINE OF IMMUTABILITY OF JUDGMENT.^[30]

Petitioner's Arguments

Petitioner claims that the CA erred in partially annulling the RTC's October 17, 2000 Decision. She contends that a Petition for Annulment of Judgment may be availed of only when the ordinary remedies of new trial, appeal, petition for relief or other appropriate remedies are no longer available through no fault of the claimant. In the present case, however, respondents had all the opportunity to question the October 17, 2000 Decision of the RTC, but because of their own inaction or negligence they failed to avail of the remedies sanctioned by the rules. Instead, they contented themselves with the filing of a Motion to Set Aside Judgment and then a Motion to Correct/Amend Judgment and to Set Aside Execution Sale.

Petitioner likewise argues that for a Rule 47 petition to prosper, the same must either be based on extrinsic fraud or lack of jurisdiction. However, the allegations in respondents' Rule 47 petition do not constitute extrinsic fraud because they simply pass the blame to the negligence of their former counsel. In addition, it is too late for respondents to pass the buck to their erstwhile counsel considering that when they filed their Motion to Correct/Amend Judgment and To Set Aside Execution Sale they were already assisted by their new lawyer, Atty. Reynaldo A. Ruiz, who did not also avail of the remedies of new trial, appeal, etc. As to the ground of lack of jurisdiction, petitioner posits that there is no reason to doubt that the RTC had jurisdiction over the subject matter of the case and over the persons of the respondents.

While conceding that the RTC patently made a mistake in awarding 5% monthly interest, petitioner nonetheless invokes the doctrine of immutability of final judgment and contends that the RTC Decision can no longer be corrected or modified since it had long become final and executory. She likewise points out that respondents received a copy of said Decision on November 13, 2000 but did nothing to correct the same. They did not even question the award of 5% monthly interest when they filed their Motion to Set Aside Judgment which they anchored on the sole ground of the RTC's lack of jurisdiction over the persons of some of the respondents.

Respondents' Arguments

Respondents do not contest the existence of their obligation and the principal amount thereof. They only seek quittance from the 5% monthly interest or 60% *per*